

Summary of Pharmaceutical Marketing Expenditures in the District of Columbia

Calendar Year 2006

Prepared by

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**for the
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I. EXECUTIVE SUMMARY

Purpose

This evaluation is a summary of the marketing expenses reported by pharmaceutical manufacturers and labelers to the District of Columbia (DC) during the 2006 calendar year. Due to the limited time period between the final rulemaking and the reporting deadline for drug companies,¹ participating companies submitted 2006 expenditure data in various formats. The lack of standardization made an itemized analysis of each company's submission infeasible. Therefore, our evaluation provides the aggregated sum of each company's total expenses; aggregated information on each company's most frequent recipient, nature, and purpose of payments;² a descriptive overview of company submissions; state comparisons using Vermont data; subset analyses of selected companies; and recommendations for future collection of drug marketing expenses.

Review of AccessRx Requirements

Title III of the AccessRx Act of 2004 requires that any "manufacturer or labeler of prescription drugs dispensed in the District that employs, directs, or utilizes marketing representatives in the District" annually report marketing costs for prescription drugs in the District. §48-833.03 describes the content of the annual report:

(a) Except as provided in subsection (b) of this section, the annual report filed pursuant to § 48-853.02 shall include the following information as it pertains to marketing activities conducted within the District in a form that provides the value, nature, purpose, and recipient of the expense:

(1) All expenses associated with advertising, marketing, and direct promotion of prescription drugs through radio, television, magazines, newspapers, direct mail, and telephone communications as they pertain to District residents;

(2) With regard to all persons and entities licensed to provide health care in the District, including health care professionals and persons employed by them in the District, carriers licensed under Title 31, health plans and benefits managers, pharmacies, hospitals, nursing facilities, clinics, and other entities licensed to provide health care in the District, the following information:

(A) All expenses associated with educational or informational programs, materials, and seminars, and remuneration for promoting or participating in educational or informational sessions, regardless of whether the manufacturer or labeler provides the educational or informational sessions or materials;

¹ The reporting deadline for all drug companies was July 1, 2007.

² This is explained in more detail in Section II, "Explanation of Data Organization."

(B) All expenses associated with food, entertainment, gifts valued at more than \$ 25, and anything provided to a health care professional for less than market value;

(C) All expenses associated with trips and travel; and

(D) All expenses associated with product samples, except for samples that will be distributed free of charge to patients; and

(3) The aggregate cost of all employees or contractors of the manufacturer or labeler who directly or indirectly engage in the advertising or promotional activities listed in paragraphs (1) and (2) of this subsection, including all forms of payment to those employees. The cost reported under this paragraph shall reflect only that portion of payment to employees or contractors that pertains to activities within the District or to recipients of the advertising or promotional activities who are residents of or are employed in the District.

(b) The following marketing expenses are not subject to the requirements of this subchapter:

(1) Expenses of \$ 25 or less;

(2) Reasonable compensation and reimbursement for expenses in connection with a bona fide clinical trial of a new vaccine, therapy, or treatment; and

(3) Scholarships and reimbursement of expenses for attending a significant educational, scientific, or policy-making conference or seminar of a national, regional, or specialty medical or other professional association if the recipient of the scholarship is chosen by the association sponsoring the conference or seminar.

The manufacturer or labeler must file the report by July 1st of each year, in the form and manner provided by the Department of Health. §48-833.04 describes the report that the Department must then provide to the City Council:

By November 30th of each year, the Department shall provide an annual report, providing information in aggregate form, on prescription drug marketing expenses to the Council and the Corporation Counsel. By January 1, 2005, and every 2 years thereafter, the Department shall provide a report to the Council and the Corporation Counsel, providing information in aggregate form, containing an analysis of the data submitted to the Department, including the scope of prescription drug marketing activities and expenses and their effect on the cost, utilization, and delivery of health care services, and any recommendations with regard to marketing activities of prescription drug manufacturers and labelers.

§48-833.04 addresses confidentiality:

Notwithstanding any provision of law to the contrary, information submitted to the Department pursuant to this subchapter is confidential and is not a public record. Data compiled in aggregate form by the Department for the purposes of reporting required by this subchapter is a public record as long as it does not reveal trade information that is protected by District, state, or federal law.

Chapter 18 of Title 22 of the District of Columbia Municipal Regulation specifies which information must be included in annual reports in each of the three categories (advertising expenses, marketing expenses, aggregate costs).

Key Findings

- In 2006, a total of 101 pharmaceutical manufacturers and labelers disclosed payments totaling \$145.5 million for advertising, marketing, and aggregate expenses in DC. Of this grand total, \$10.9 million were reported advertising expenses (7.5%), \$34.5 million were marketing expenses (23.7%), and \$100.1 million were aggregate expenses (68.8%).
- There appears to have been variability in the interpretation of aggregate expenses among companies. One company reported \$37.1 million in aggregate expenses, which represented 37% of total aggregate expenses for all companies. This figure is nearly four times greater than the reported total aggregate expenses of the second ranked company.³ This suggests different interpretations or calculations of aggregate expenses, and underscores the importance of providing clear instructions for companies reporting expenses.
- Twenty companies spent over \$1 million in total expenses. The top ten companies represented 75% of the total reported expenses.
- Physicians and doctors represented the most frequent payment recipient type, food was identified as the most frequent nature of payment, and education was reported as the most frequent primary purpose of payment. Standardized electronic annual reports will be helpful for future evaluations to determine the aggregated dollar amounts spent by companies on different recipient types, natures, and purposes of payments.
- Subset analyses of three companies representing large, medium, and small pharmaceutical manufacturers produced useful results. The most important finding from the subset analyses is that the category of the greatest *number* of payments was often not the category of the greatest *value* of payments. Other key findings are as follows:

³ The company with the second highest total aggregate expenses reported \$8.1 million.

- Company A (large) spent \$8.1 million on total advertising, marketing, and aggregate expenses in DC. Companies B (medium) and C (small) spent roughly 5% of this amount, or \$476,140 and \$320,944 respectively.
- Companies A and B reported advertising and direct promotion expenses. Direct-to-consumer advertising to DC residents represented 97% of Company A's total advertising expenses. Company B reported no DTC advertising and spent all advertising expenses on patient education materials to prescribers.
- Company A reported \$5.2 million in total marketing expenses. Companies B and C spent less than 1% of this amount, or \$38,967 and \$28,154 respectively.
- Companies A and B distributed the greatest number of payments to individual recipients. Company C distributed the greatest number of payments to hospitals. All three companies disbursed the greatest dollar amount (or value) of total marketing expenses to organizations.
- Food was the nature of the greatest number of payments for all three companies, and the greatest value of payments for Company C. Food payments amounted to less than 10% of total marketing expenses for Companies A and B, while checks, grants, and honoraria payments represented the greatest value.
- Professional education was reported as the primary purpose of the greatest number and value of payments for Companies B and C. Company A reported marketing and independent medical education as the primary purpose of the greatest number and value of payments, respectively.
- Company A spent 6% of total expenses on aggregate expenses. Company B spent 82% and Company C spent 91% of total expenses on aggregate expenses.

II. SUMMARY OF PHARMACEUTICAL MARKETING EXPENDITURES

Explanation of Data Organization

A total of 101 pharmaceutical manufacturers and labelers submitted marketing expenses to the DC DOH for the 2006 reporting period. During the review of each company's submission, quantitative data and descriptive information were entered into a Microsoft Excel database.

The quantitative data consisted of calculating each company's total advertising, marketing, and aggregate expenses separately, and then adding these expenses together to represent the company's total expenses. The proportions of each type of expense (i.e., % of total) were also calculated.

The descriptive information consisted of each company's payment and submission characteristics. Payment characteristics included the most frequent recipient type, the most frequent nature of payment, and the most frequent primary purpose of payment (see *Note*). Submission characteristics included observations regarding the completeness and quality of the submission.

Note: Company submissions were analyzed by the frequency (or number) of payments rather than the value (or dollar amount) of payments. For example, a company with 100 total payments may list "food" as the nature of 80 payments. For this analysis, "food" would be identified as the most frequent nature of payment for this company. This does not mean that the greatest portion of the company's total expenses was made up of food payments. (In theory, the nature of the remaining 20 payments could be checks for large sums of money.) This simply means that "food" was cited most frequently as the nature of payments. The analysis was conducted in this manner because, as previously mentioned, the formatting of company data did not lend itself to aggregation of payment values.⁴ With standardized reporting, more detailed analyses of company data may be possible in the future to produce more informative results (e.g., "All companies spent a collective total of "\$X" on food payments in 2007").

The aggregated quantitative data and descriptive information for all companies follows.

Total Expenses

Total Advertising, Marketing, and Aggregate Expenses

In 2006, 101 pharmaceutical manufacturers reported payments totaling \$145.5 million for advertising, marketing, and aggregate expenses in DC. Table 1 allocates this total amount among the three types of disclosure requirements, below.

Table 1

2006 Total Pharmaceutical Marketing Expenses in DC by Type of Disclosure			
DCMR Section	Type of Disclosure	Total Value Disclosed (\$)	% of Grand Total
§1801.1(a)	Advertising Expenses	10,892,163	7.5%
§1801.1(b)	Marketing Expenses	34,461,608	23.7%
§1801.1(c)	Aggregate Expenses	100,141,658	68.8%
Grand Total		145,495,429	100.0%

Aggregate expenses, or expenses associated with compensation for employees or contractors engaging in promotional activities in DC, account for over two-thirds of this total figure, at \$100.1 million.⁵ Marketing expenses, or expenses greater than \$25 associated with

⁴ Section V contains itemized analyses of selected companies with categorizations of payment values.

⁵ One company made up 37% of the total aggregate costs reported by all companies.

educational programs, gifts, travel, or product samples, represent 24% of the grand total at \$34.5 million. Companies spent the least amount on advertising expenses, or those associated with the direct promotion of prescription drugs to DC residents (e.g., radio or print advertisements). Advertising expenses total \$10.9 million and represent the remaining 8% of total expenses.

Ten companies collectively reported \$109.2 million in total expenses, representing 75% of all spending reported in 2006. The top four largest spenders collectively reported \$71.2 million in total expenses, or half of all reported expenditures.

Total Advertising Expenses

Drug companies reported total advertising expenses of \$10.9 million in 2006. Company reports of total advertising expenses ranged from \$250 to \$4.8 million.

Approximately 75% of all companies did not disclose any payments related to advertising expenses. Most of these companies explained that any advertising and direct promotion campaign activities were conducted at a national level and therefore not specific to DC residents.

For the 25 companies that did disclose advertising expenses, nearly half (12 companies) spent less than \$10,000. Approximately 28%, or 7 companies, spent over \$250,000. These companies disclosed several direct-to-consumer advertising activities in media such as magazines, newspapers, journals, and internet websites. The remaining companies fell within the \$10,000 to \$100,000 range of total advertising expenses. This information is depicted in Table 2.

Table 2

Distribution of 2006 Pharmaceutical Advertising Expenses in DC				
Total Advertising Expenses (\$)	Number of Companies	% of Total	Total Value (\$)	% of Total
More than 1,000,000	3	3.0%	8,634,662	79.3%
500,001 - 1,000,000	2	2.0%	1,219,398	11.2%
250,001 - 500,000	2	2.0%	753,030	6.9%
100,001 - 250,000	0	0.0%	0	0.0%
50,001 - 100,000	1	1.0%	67,113	0.6%
25,001 - 50,000	4	4.0%	164,806	1.5%
10,001 - 25,000	1	1.0%	12,478	0.1%
1,001 - 10,000	7	6.9%	38,128	0.4%
1 - 1,000	5	5.0%	2,547	0.0%
No reportable costs	76	75.2%	0	0.0%
Total	101	100.0%	10,892,163	100.0%

Total Marketing Expenses

Total marketing expenses for all companies amounted to \$34.5 million in 2006. Company reports of total marketing expenses ranged from \$12 to \$7.4 million.

Half of all companies with reportable marketing expenses spent between \$1,000 and \$50,000 in total marketing expenses. Of the other companies, the majority spent more than \$50,000. Approximately 26% spent between \$50,000 and \$500,000, 6% of companies spent between \$500,000 and \$1 million, and 6% of companies spent more than \$1 million. Finally, 9% of companies spent less than \$1,000 on total marketing expenses and 4% reported no marketing expenses. The distribution of total marketing expenses is shown in Table 3.

Table 3

Distribution of 2006 Pharmaceutical Marketing Expenses in DC				
Total Marketing Expenses (\$)	Number of Companies	% of Total	Total Value (\$)	% of Total
More than 1,000,000	6	5.9%	23,868,386	69.3%
500,001 - 1,000,000	6	5.9%	4,184,958	12.1%
250,001 - 500,000	10	9.9%	3,679,010	10.7%
100,001 - 250,000	8	7.9%	1,303,535	3.8%
50,001 - 100,000	8	7.9%	593,703	1.7%
25,001 - 50,000	12	11.9%	430,969	1.3%
10,001 - 25,000	17	16.8%	287,729	0.8%
1,001 - 10,000	21	20.8%	110,573	0.3%
1 - 1,000	9	8.9%	2,744	0.0%
No reportable costs	4	4.0%	0	0.0%
Total	101	100.0%	34,461,608	100.0%

Total Advertising and Marketing Expenses

Drug companies spent \$45.4 million collectively on all advertising and marketing payments in 2006. Company reports of combined advertising and marketing expenses ranged from \$78 to \$7.6 million.

The bulk of total advertising and marketing expenses fell within the \$1,000 to \$25,000 range (39% of companies) and the \$25,000 to \$100,000 range (21% of companies). The majority of the remaining companies spent more than \$100,000. Approximately 6% of companies spent between \$100,000 and \$250,000, 9% spent between \$250,000 and \$500,000, 7% spent between \$500,000 and \$1 million, and 8% spent more than \$1 million on total advertising and marketing expenses.

Seven percent of all companies reported less than \$1,000 in total advertising and marketing expenses, and 4% reported no expenses. Table 4 depicts the distribution of total advertising and marketing expenses.

Table 4

Distribution of 2006 Pharmaceutical Advertising and Marketing Expenses in DC				
Total Advertising and Marketing Expenses (\$)	Number of Companies	% of Total	Total Value (\$)	% of Total
More than 1,000,000	8	7.9%	34,592,058	76.3%
500,001 - 1,000,000	7	6.9%	4,919,124	10.8%
250,001 - 500,000	9	8.9%	3,302,169	7.3%
100,001 - 250,000	6	5.9%	967,391	2.1%
50,001 - 100,000	11	10.9%	819,576	1.8%
25,001 - 50,000	10	9.9%	357,204	0.8%
10,001 - 25,000	18	17.8%	290,682	0.6%
1,001 - 10,000	21	20.8%	103,565	0.2%
1 - 1,000	7	6.9%	2,002	0.0%
No reportable costs	4	4.0%	0	0.0%
Total	101	100.0%	45,353,770	100.0%

Total Aggregate Expenses

Drug companies reported total aggregate expenses of \$100.1 million in 2006. For 83% of companies, aggregate expenses represented over half of their total company expenses.

One company reported \$37.1 million in aggregate expenses, representing 37% of total aggregate expenses reported by all companies. Aggregate expenses made up 94% of this company's total expenses. The company provided the following information regarding the calculation of aggregate expenses:

“In accordance with DCMR § 1802.4, [Company Name] included compensation for all employees and contractors directly engaged in the reportable activities in the District. For its employees and contractors who are located outside the District, but who engage in the reportable advertising or marketing activities on a nationwide basis, [Company Name] included the pro rata share by population of its expenditures for those individuals. The primary components of employee compensation included in [the] calculation are annual base compensation, incentive compensation, and employee related benefits.”

Excluding this company, total aggregate expenses amounted to \$63 million and ranged from \$1,825 to \$8.1 million.

Over three-fourths of companies reported more than \$50,000 in total aggregate expenses, with half of all companies falling within the \$50,000 to \$500,000 range. Of companies with greater than \$500,000 in total aggregate expenses, 10% spent between \$500,000 and \$1 million, and 16% spent over \$1 million.

Twenty percent of all companies spent less than \$50,000 in total aggregate expenses. Eight percent of these companies fell within the \$25,000 to \$50,000 range, 6% fell within the \$10,000 to \$25,000 range, and 6% fell within the \$1,000 to \$10,000 range. Four percent of all companies reported no aggregate expenses. Total aggregate expenses are depicted in Table 5.

Table 5

Distribution of 2006 Pharmaceutical Aggregate Expenses in DC				
Total Aggregate Expenses (\$)	Number of Companies	% of Total	Total Value (\$)	% of Total
More than 1,000,000	16	15.8%	83,936,512	83.8%
500,001 - 1,000,000	10	9.9%	6,540,445	6.5%
250,001 - 500,000	13	12.9%	4,373,929	4.4%
100,001 - 250,000	20	19.8%	3,556,283	3.6%
50,001 - 100,000	18	17.8%	1,281,022	1.3%
25,001 - 50,000	8	7.9%	309,016	0.3%
10,001 - 25,000	6	5.9%	112,768	0.1%
1,001 - 10,000	6	5.9%	31,681	0.0%
1 - 1,000	0	0.0%	0	0.0%
No reportable costs	4	4.0%	0	0.0%
Total	101	100.0%	94,670,016	100.0%

Most Frequent Recipient Type

For this analysis, the most frequent recipient type was identified for each company. This is the type of recipient reported with the greatest frequency throughout a company's submission (i.e., the type of recipient reported the most number of times for payments). For example, if a company reported 100 total payments and 80 payments listed "physician" in the recipient type category, then "physician" would be identified as the most frequent recipient type. This section identifies the aggregate results of all companies' most frequent recipient types.

Of the 101 drug companies that submitted reports to DC, a total of 97 companies disclosed advertising or marketing expenses.⁶ Eighty-one companies with reportable advertising or marketing expenses reported individual recipients as the most frequent recipient type (84%). Eleven companies reported organizations as the most frequent recipient type (11%). Five companies failed to disclose recipient types (5%).

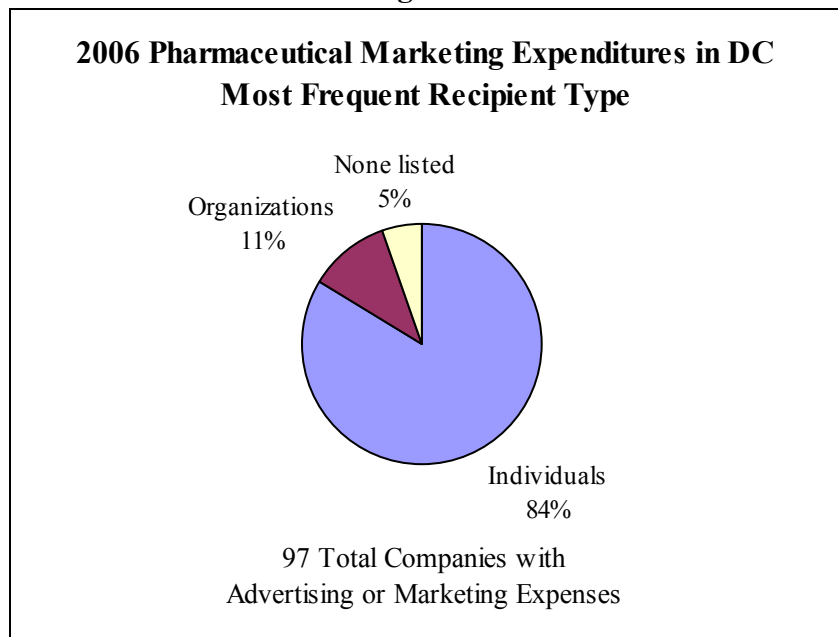
Among companies with individual recipients as the most frequent recipient type, physicians and doctors represented the vast majority (over 80%). Other individual recipients included staff, prescribers in general, non-prescribers, pharmacists, dentists, dermatologists, and other medical professionals. Over one-fourth of companies distributed 100% of their total payments to individual recipients. Also, some companies distributed multiple payments to the same few individual recipients throughout the reporting period.

⁶ Four companies did not have reportable advertising or marketing expenses.

Among companies with organizations as the most frequent recipient type, hospitals represented 55%. The other organizations that represented the most frequent recipient type were clinics, practice groups, and professional organizations.

The most frequent recipient types for all companies are depicted in Figure 1.

Figure 1



Most Frequent Nature of Payment

For this analysis, the most frequent nature of payment was identified for each company. This was determined in the same manner as the most frequent recipient type.

Food or meals represented the most frequent nature of payment for the majority of drug companies. This nature of payment was most frequent for 77 companies, or 80% of all companies that disclosed the nature of payments in their annual reports.

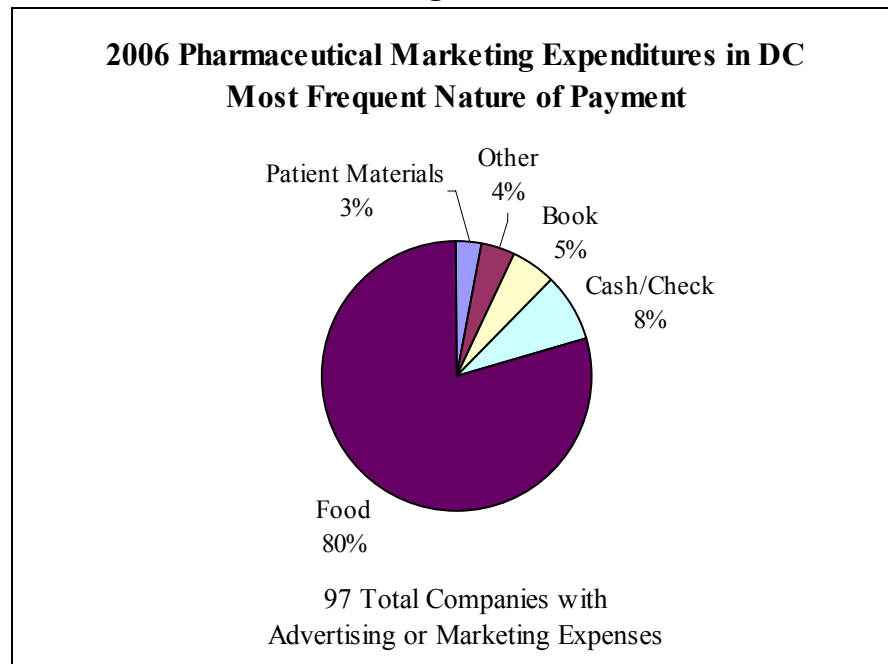
The second most frequent nature of payment was cash/check. Eight companies, or 8%, reported cash/check payments most frequently as the nature of payments. Of these companies, 88% also had individual recipients as the most frequent recipient type.⁷

Books (5%) and patient materials (3%) were also identified as the most frequent nature of payment. Finally, 4% of companies reported other nature of payments most frequently, including advertising, grants, and phone calls.

⁷ In general, the majority of cash/check payments to individual recipients were reported as consulting fees, speaker fees, transportation and lodging expenses, or honoraria. Most companies provided the names of recipients of these payments. One company did not provide individual recipient names and listed “unknown recipient” for all honoraria payment recipient types.

Figure 2 depicts the most frequent nature of payment for all companies.

Figure 2



Most Frequent Primary Purpose of Payment

This section of the analysis identifies the aggregated most frequent primary purpose of payment for all companies.

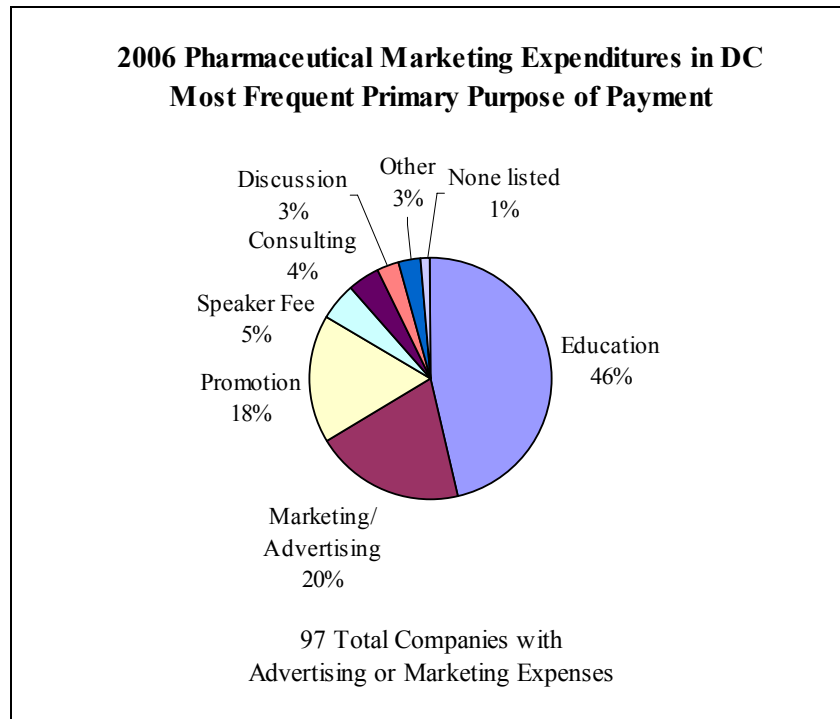
Nearly half of all drug companies reported education as the most frequent primary purpose of payment. Forty-five drug companies, or 46% of all companies that disclosed the primary purpose of payments, reported various versions of education as the most frequent primary purpose of payment. These included professional education, “lunch & learn,” product education, product inservice training, and product detailing.

The second ranked most frequent primary purpose of payment among all drug companies was marketing or advertising. This was identified as the primary purpose of payment for 19 companies, or 20% of all companies. Promotion ranked third at 17 companies or 18% of all companies. The most frequent primary purpose of payment for the remaining companies was identified as speaker fees (5%), consulting (4%), discussions (3%), and other⁸ purposes (3%). One company did not provide the primary purpose of payments.

Figure 3 shows the most frequent primary purpose of payment for all companies.

⁸ Meals, sales visits, and textbooks were reported as the most frequent primary purpose of payment for 3% of companies. These purposes are represented as “Other” in Figure 3.

Figure 3



Inclusion of Product Marketed

AccessRx requires pharmaceutical companies to disclose the value, recipient, nature, and purpose of all payments. For disclosure of advertising or direct promotion costs, §1802.3(f) requires disclosure of the name of the product being marketed. Twenty-one of the 25 companies with reportable advertising costs (84%) complied with this requirement. The remaining four companies did not include the names of the products being marketed in their reports.

With regards to gift disclosure, §1802.2 does not require companies to provide the names of the product being marketed. However, 35 companies, or 36% of all companies with reportable marketing expenses, provided the name of the product being marketed for most or all of their gift payments. This information presents an opportunity to evaluate the specific types of products being promoted in the District, the health conditions they are intended to treat, and the most common recipients or targeted audience of these promotions.

Payments to Professional Organizations

Nearly half of all companies (48%) with reportable advertising or marketing expenses made payments to entities such as associations, coalitions/alliances, foundations, institutes, nonprofit organizations, societies, and support groups. Some companies made a single payment to this type of organization, while others made several (payments range from \$12 to \$2,000,000). Most of these payments are in the form of grants or charitable donations and constitute the majority of the company's larger-sized payments.

III. OVERVIEW OF COMPANY SUBMISSIONS

Method of Submission

For the 2006 reporting period, drug companies disclosed reportable marketing expenses using the online forms found on the DC DOH website, or provided spreadsheets containing all of the required information. Eighty-six companies submitted spreadsheets, 13 companies submitted online forms, and two companies submitted both online forms and spreadsheets.

Over one-third of the spreadsheets were provided electronically in Microsoft Excel format. Three companies provided spreadsheets in Adobe PDF format, which was less useful for data analysis.

Submissions did not contain sufficient information to determine whether companies were using Generally Accepted Accounting Principles.

Reporting Period

AccessRx requires pharmaceutical companies to file annual reports on or before July 1st of every year with all applicable expenses for the previous calendar year. For the 2006 calendar year only, companies were permitted to exclude data from the first three quarters of 2006 and “substitute an explanation of why the data is not available.”⁹ The majority of companies, or 83%, submitted reportable expenses for the calendar year. Nine percent of companies reported 3rd and 4th quarter data only, and 8% provided 4th quarter data only.

The 17 companies that did not disclose expenses for all four quarters of 2006 offered similar explanations for the unavailability of the data. In short, the company lacked an adequate tracking system to collect the necessary payment information. Most companies indicated that such systems will be in place in the future.

Trade Secret Declaration

Chapter 18 of Title 22 of the DCMR entitled, “Prescription Drug Marketing Costs” defines a trade secret as follows:

Trade secret- information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (A) Derives actual or potential independent economic value, from not being generally known to, and not being readily ascertainable by, proper means by another who can obtain economic value from its disclosure or use; and
- (B) Is the subject of reasonable efforts to maintain its secrecy.¹⁰

⁹ §1800.5 of Chapter 18 of Title 22 of the DCMR

¹⁰ §1899.1 of Chapter 18 of Title 22 of the DCMR

Over half of all drug companies (57%) did not specify in their annual reports, cover letters, or assumptions and explanation documents if the information was designated as a trade secret. Nearly all of these companies did note that the data was confidential and not for public record, but did not expressly designate trade secret status.

Twenty-eight percent of all reporting companies declared their annual reports as trade secrets, and the remaining 15% declared their annual reports as not trade secrets.¹¹

Trade secret explanations were consistent across pharmaceutical companies. An example of one company's justification for designating their report as a trade secret mirrors many others, and is as follows: "This 2006 report contains a compilation of information that provides information on the company's marketing and promotional strategies and budgets that provide the company with the opportunity to obtain a business advantage over competitors who are not aware of this information."

Wet Signature/Certification

§1801.4(c) of AccessRx requires companies to file a wet signature certification with their annual reports, ensuring the legality and accuracy of the report. Specifically, the certification should state that "under penalty of law the information contained in the report is to the best of [the responsible individual's] knowledge after due diligence to inquire about the truthfulness and accuracy of the report," and should also include an "acknowledgment that providing false information or omitting required information on the report is unlawful."¹² Approximately 90% of all companies provided various versions of this certification with their report. The remaining 10% consisted of five companies that failed to provide wet signatures at all (their cover letters or memos were unsigned) and five companies that failed to include certifications in their signed cover letters.

Quality of Submission

The quality of company submissions was evaluated based on overall completeness and compliance with disclosure requirements. Submissions were classified as follows:

- *Excellent*: All required information is provided
- *Very Good*: Most required information is provided
- *Good*: Some required information is missing
- *Poor*: Key required information is missing

Using these general categorizations, over half of all companies (53%) provided excellent submissions. These annual reports included all the information specifically required in §1802 (e.g., date of payment, full names and credentials of recipient, type of recipient, nature of payment, primary purpose of payment, and value of payment).

¹¹ All but one of these companies identified 100% of payments as either trade secrets or not trade secrets. One company identified a single payment as not a trade secret, and the rest of payments as trade secrets.

¹² §1801.4(c) of Chapter 18 of Title 22 of the DCMR

Another 34% of companies provided very good submissions. These annual reports contained most of the information required in §1802. Common missing data included first names of individual recipients, credentials of recipients, or payment dates.

Approximately 11% of companies provided good submissions. Some important required information was absent from these annual reports, such as recipient names or the primary purpose of payments. These companies also cited “other” many times for required data fields but did not provide a corresponding explanation.

Finally, 2% of companies provided poor submissions. These companies did not submit any expenses associated with food, entertainment, or gifts as required by §1801.1(b)(2).

IV. BENCHMARKS

Over time, it will be useful to compare District pharmaceutical marketing expenses from different years. In addition to tracking total amounts, it may be helpful to see how much pharmaceutical companies spend each year per practicing District physician, since physicians are often the targets of companies’ gift expenses. This figure can then be compared to per-physician spending in other states.

Vermont also collects pharmaceutical marketing data and reports the costs annually, and its requirements for disclosure are similar to those used in the District, although its reporting year runs from July 1- June 30 rather than January 1 – December 30.

For the 2006 reporting year, pharmaceutical companies spent \$34,691.33 per practicing District physician on marketing expenses, compared to just \$1,134.09 per practicing Vermont physician; however, it must be noted that many national organizations (for physicians, diseases, etc.) are headquartered in the District and likely account for a substantial portion of the total expenses. Future analyses will be better able to distinguish between gifts and advertising aimed at District physicians vs. national organizations.

Table 6

2006 Pharmaceutical Marketing Expenses in DC and Vermont per Practicing Physician			
	2006 Expenses	Practicing Physicians¹³	Expense per physician
DC	\$145,495,429	4,194	\$34,691.33
Vermont	\$2,247,769	1,982	\$1,134.09

In the future, expense reports from other states or for the nation as a whole may provide more useful benchmarks.

¹³ From the Federation of State Medical Boards’ *Summary of 2007 Board Actions*.

V. SUBSET ANALYSES

Several companies submitted their 2006 marketing expenses in electronic format. Of these, three companies with excellent submissions were chosen for subset analyses. Based on total sales rank, they represent large, medium, and small pharmaceutical manufacturers.

The itemization of expenses for these companies provides more insight into their marketing practices in the District. These results cannot be generalized to represent all large, medium, and small pharmaceutical manufacturers. However, they are an example of the results that may be produced from future itemized analyses of all 101 drug companies that market or sell products in the District.

The most important finding is that the category of the greatest *number* of payments was often not the category of the greatest *value* of payments. For example, food payments were reported the greatest number of times for all three companies. But check, grant, and honorarium payments amounted to greater values and represented a greater proportion of total expenses for Companies A and B.

The itemized results of each company's expenses follow.

Company A

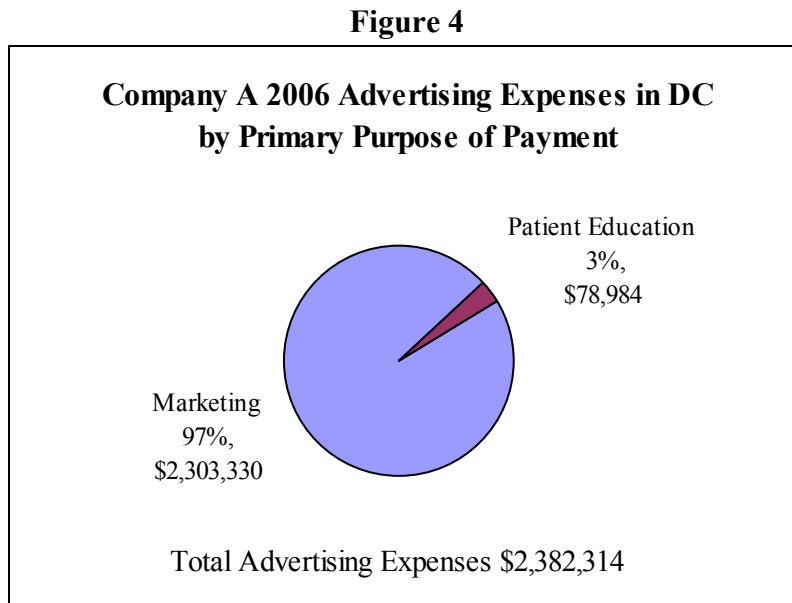
Company A ranked within the top ten in total sales among all companies that submitted 2006 marketing expenses in DC. Company A reported \$8,130,687 in total advertising, marketing, and aggregate expenses in DC.

Advertising Expenses

Approximately 29% of Company A's total expenses, or \$2.4 million, were expenses associated with advertising and direct promotion activities. Direct-to-consumer (DTC) advertising represented nearly all of these advertising expenses (97%). Marketing was reported as the primary purpose of all payments for DTC advertising. Patient education materials represented the remaining 3% of advertising expenses, and patient education was reported as the primary purpose of these payments. DC residents were the target audience for all expenses associated with DTC advertising, and prescribers and patients were the target audience for those associated with patient education materials.

Company A included the name of the product being marketed for each payment. These products treated infections and ailments ranging from anemia to cancer. The company also provided the medium name for each payment. For example, over 50 specific media were disclosed for payments associated with DTC advertising, including magazines (women's, news, health, and home magazines), television (cable channels and news stations), and internet websites (mainly search engines).

Figure 4 displays Company A's advertising expenses by primary purpose of payment.



Marketing Expenses

Company A spent \$5.2 million, or 64% of total expenditures, on marketing expenses. The company disbursed a total of 903 payments and cited “general brand/company awareness” as the product marketed for nearly all of these payments. However, specific product names were provided for approximately 13% of all payments.

Recipient Types

Nearly 90% of Company A's 903 payments were distributed to individual recipients reported as non-prescribers, prescribers, healthcare professionals, and doctors. The remaining payments were received by institutions, hospitals, private practices, and universities.

Institutions were recipients of 91 payments, or 10% of Company A's total number of payments. However, this recipient type received 93% of the total value of all payments, or \$4.9 million. Payments to universities, hospitals, and private practice groups represented approximately 6% of the total value of all payments (\$281,842), and payments to individual recipients represented approximately 2% (\$73,182).

The distribution of Company A's marketing expenses by recipient type is shown in Table 7.

Table 7

Company A 2006 Marketing Expenses in DC by Recipient Type				
Recipient Type	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Institution	91	10.1%	4,879,724	93.2%
University	4	0.4%	202,070	3.9%
Hospital ¹⁴	14	1.6%	53,990	1.0%
Healthcare Professional	107	11.8%	31,097	0.6%
Private Practice	8	0.9%	25,782	0.5%
Non-Prescriber	421	46.6%	23,730	0.5%
Prescriber	256	28.3%	15,355	0.3%
Doctor	2	0.2%	3,000	0.1%
Total	903	100.0%	5,234,748	100.0%

Nature of Payments

Food was reported as the nature of the greatest proportion of Company A's 903 payments (75%), while checks (15%) and textbooks (10%) were the nature of all others. Although food payments made up 75% of the total number of payments, they represented less than 1% of the total value of payments at \$44,465. Payments in the form of checks represented 99% of the total value of payments at \$5.19 million, as depicted in Table 8 below.

Table 8

Company A 2006 Marketing Expenses in DC by Nature of Payment				
Nature of Payment	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Check	138	15.3%	5,190,283	99.2%
Food	677	75.0%	39,085	0.7%
Textbook	88	9.7%	5,380	0.1%
Total	903	100.0%	5,234,748	100.0%

Sub-Analysis of Check Payments

As stated, check payments amounted to nearly all of Company A's \$5.2 million total marketing expenses. Further analysis reveals the recipients and purposes of these checks.

Company A's 138 check payments are broken down by recipient type in Table 8.1. Institutions received the greatest number (91 payments) and value (\$4.9 million) of all check payments. Healthcare professionals, hospitals, and private practice groups were recipients of nearly all the remaining check payments but represented only 2% of the total value of check payments at \$105,489.

¹⁴ Hospital includes payments to University Hospitals.

Table 8.1

Company A 2006 Marketing Expenses in DC by Recipient Type of Check Payments				
Recipient Type	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Institution	91	65.9%	4,879,724	94.0%
University	4	2.9%	202,070	3.9%
Hospital	14	10.1%	53,990	1.0%
Private Practice	8	5.8%	25,782	0.5%
Healthcare Professional	19	13.8%	25,717	0.5%
Doctor	2	1.4%	3,000	0.1%
Total	138	100.0%	5,190,283	100.0%

The institutions reported in Company A's submission include 35 different health and research alliances, associations, coalitions, foundations, and societies. Payments to institutions ranged from \$179 (to an advisory company) to \$513,000 (to a society for the purpose of independent medical education). Approximately 75% of all check payments to institutions were for amounts between \$1,500 and \$50,000, and the remaining 25% were for amounts greater than \$50,000.

An itemization of check payments to institutions identified the primary purpose of each payment. This information is detailed in Table 8.2 below. Independent medical education was reported as the primary purpose of the greatest number (29 payments) and value (\$2.3 million) of check payments to institutions. Fundraising and charitable events was the primary purpose of the second greatest number (17 payments), followed by service agreements (14 payments), other healthcare programs (11 payments), and professional medical society support (6 payments). Finally, advisory boards and fellowships support represented the primary purpose for two payments each.

Although fundraising was the primary purpose of the second greatest number of check payments to institutions, service agreements were the primary purpose of the second greatest value; 18% of the total value of check payments to institutions was for the purpose of service agreements (\$878,190). Approximately 15% was for other healthcare programs (\$706,985), 8% for professional medical society support (\$397,500), 7% for fundraising and charitable events (\$335,000), and 5% collectively for private/public education and support groups, fellowships support, and advisory board purposes (\$251,679).

Table 8.2

Company A 2006 Marketing Expenses in DC by Primary Purpose of Check Payments to Institutions				
Primary Purpose of Payment	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Independent Medical Education	29	31.9%	2,310,370	47.3%
Service Agreement	14	15.4%	878,190	18.0%
Other Healthcare Programs	11	12.1%	706,985	14.5%
Professional Medical Society Support	10	11.0%	397,500	8.1%
Fundraising/Charitable Events	17	18.7%	335,000	6.9%
Private/Public Education & Support Groups	6	6.6%	139,500	2.9%
Fellowships Support	2	2.2%	110,000	2.3%
Advisory Board	2	2.2%	2,179	0.0%
Total	91	100.0%	4,879,724	100.0%

In sum, this sub-analysis of check payments reveals a great deal about Company A's marketing expenses in the District. Over 75% of the \$5.2 million that the company spends on marketing is disbursed in the form of checks to institutions and hospitals, primarily for the purpose of independent medical education, service agreements, and other healthcare programs.

Primary Purpose of Payments

Returning to a broader analysis of Company A's marketing expenses on the whole, the primary purpose of all food, check, and textbook payments is shown in Table 9.

As with the nature of all payments, there is a striking difference between the primary purpose of the greatest number of payments and the primary purpose of the greatest value of payments. Marketing and professional education were reported as the primary purpose for 85% of all 903 payments, but represented less than 1% of the company's \$5.2 million total marketing expenses at \$44,465. Conversely, independent medical education represented only 5% of the total number of payments but 45% of the total value of marketing expenses at \$2.4 million.

Table 9

Company A 2006 Marketing Expenses in DC by Primary Purpose of Payment				
Primary Purpose	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Independent Medical Education	43	4.8%	2,363,960	45.2%
Service Agreement	14	1.6%	878,190	16.8%
Other Healthcare Programs	11	1.2%	706,985	13.5%
Professional Medical Society Support	10	1.1%	397,500	7.6%
Fundraising/Charitable Events	18	2.0%	338,500	6.5%
Research Activities	6	0.7%	206,870	4.0%
Private/Public Education & Support Groups	6	0.7%	139,500	2.7%
Fellowships Support	2	0.2%	110,000	2.1%
Marketing	677	75.0%	39,085	0.7%
Consulting Services and Agreements	6	0.7%	20,882	0.4%
Advisory Board	11	1.2%	16,297	0.3%
Speaker Agreements and Expenses	11	1.2%	11,599	0.2%
Professional Education	88	9.7%	5,380	0.1%
Total	903	100.0%	5,234,748	100.0%

Aggregate Expenses

Company A spent \$513,625 on compensation for employees and contractors engaged in advertising and marketing activities in DC in 2006, representing 6% of total company expenses. While this value amount places Company A within the top 25 largest spenders for aggregate expenses, the percent of total company expenses is second to lowest among all companies. For example, aggregate expenses for other companies with similar ranks represent 50-90% of their total company expenses.

Company B

Company B ranked between 30 and 50 in total sales among all companies that submitted 2006 marketing expenses in DC. Company B reported \$476,140 in total advertising, marketing, and aggregate expenses in DC. This is approximately 6% of Company A's \$8.1 million in total expenses.

Advertising Expenses

Approximately 10% of Company B's total expenses, or \$46,179, were expenses associated with advertising and direct promotion activities. This is approximately 2% of Company A's \$2.4 million in total advertising expenses.

Company B distributed 1,354 gifts to prescribers. The value of these gifts ranged from \$0.01 (for a sticker) to \$673 (for a patient starter kit). Half of all advertising and direct promotion payments were \$10 or less for stickers, pens, pads, flashcards, white papers, prescription

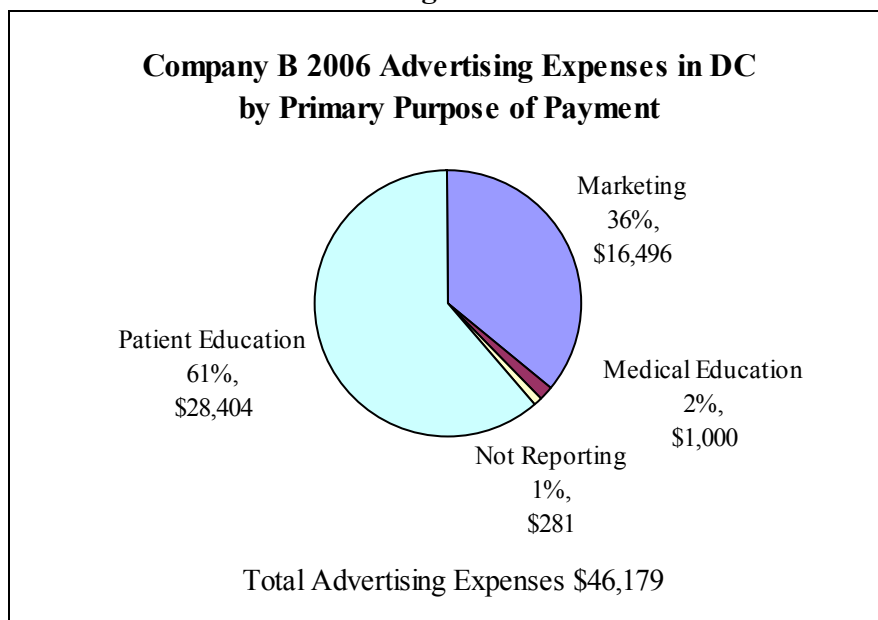
labels, brochures, booklets, travel pack kits, and workbooks. Payments greater than \$10 were generally for patient guides, sales aids, flashcards, patient dosing instructions, patient starter kits and teaching tools, exam room table paper, magnets, videos, business card holders, and posters. All of these direct promotion payments were made to market two products used to treat diabetes.

Approximately 61% of total advertising expenses (\$28,404) were for the primary purpose of patient education, 36% for marketing (\$16,496), 2% for medical education (\$1,000), and 1% of expenses had undisclosed purposes (\$281).

Unlike Company A, which spent 97% of advertising expenses on DTC advertising to the public, none of Company B's advertising expenses were for DTC advertising. Also, none of Company B's advertising expenses were directed at the general public. Prescribers were the target audience for all of Company B's direct promotion payments, compared to 3% of Company A's.

The distribution of Company B's advertising expenses by primary purpose of payment is depicted in Figure 5.

Figure 5



Marketing Expenses

Company B spent \$38,967, or 8% of total expenditures, on marketing expenses. This is approximately 1% of Company A's \$5.2 million in total marketing expenses.

Recipient Types

Company B disbursed a total of 43 payments to individuals and organizations. Payments ranged from \$25 (for food) to \$10,108 (for a grant). Nearly three-fourths of all payments were disbursed to individual recipients reported as prescribers. The remaining payments were disbursed to hospitals (14%) and educational associations (12%).

Similar to Company A, individuals received the greatest number of Company B's payments while organizations received the greatest value of payments. As shown in Table 10, prescribers received 74% of the company's 43 payments but represented only 28% of the total value of payments. Conversely, educational associations received only 12% of the company's 43 payments but represented 70% of the total value of payments.

Table 10

Company B 2006 Marketing Expenses in DC by Recipient Type				
Recipient Type	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Educational Association	5	11.6%	27,166	69.7%
Prescriber	32	74.4%	11,045	28.3%
Hospital	6	14.0%	756	1.9%
Total	43	100.0%	38,967	100.0%

Nature of Payments

As with Company A and most other companies that reported marketing expenses in DC, food was reported as the nature of most of Company B's 43 total payments (63%). Honoraria (19%), grants (12%), and lodging (7%) represented the nature of the remaining payments. However, food represents only 7% of the value of total marketing expenses at \$2,581. Payments for grants and honoraria represent 90% (\$35,068) and lodging represents the remaining 3% (\$1,318). Table 11 depicts this information.

Table 11

Company B 2006 Marketing Expenses in DC, by Nature of Payment				
Nature of Payment	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Grant	5	11.6%	27,166	69.7%
Honoraria	8	18.6%	7,902	20.3%
Food	27	62.8%	2,581	6.6%
Lodging	3	7.0%	1,318	3.4%
Total	43	100.0%	38,967	100.0%

Primary Purpose of Payments

Company B reported professional education as the primary purpose of 28 payments, representing 65% of all 43 payments. These payments totaled \$30,709, representing the greatest proportion of Company B's total payment values (79%). Speaker fees or payments represented the second greatest number and value of payments (8 payments equaling \$7,902), and consulting was reported as the primary purpose of all remaining payments (7 payments equaling \$356).

Company B did not report many of the primary purpose of payments reported by Company A. For example, payments for independent medical education, service agreements, other healthcare programs, medical society support, fundraising and charitable events, research activities, and private/public education and support groups represented the bulk of Company A's marketing expenses. No payments were reported by Company B with these purposes.

The primary purposes of Company B's marketing payments are shown in Table 12.

Table 12				
Company B 2006 Marketing Expenses in DC				
by Primary Purpose of Payment				
Primary Purpose of Payment	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Professional Education	28	65.1%	30,709	78.8%
Speaker Fee or Payment	8	18.6%	7,902	20.3%
Consulting	7	16.3%	356	0.9%
Total	43	100.0%	38,967	100.0%

Aggregate Expenses

Company B spent \$390,994 on compensation for employees and contractors engaged in advertising and marketing activities in DC in 2006, representing 82% of total company expenses. Companies with similar sales ranks spent roughly the same proportion of their total company expenses on aggregate costs. Company B spent approximately 25% less than Company A on aggregate expenses.

Company C

Company C ranked between 70 and 90 in total sales among all companies that submitted 2006 marketing expenses in DC. Company C reported \$320,944 in total marketing and aggregate expenses, and had no reportable payments associated with advertising or direct promotion. This total is 4% of Company A's total expenditures and 67% of Company B's.

Marketing Expenses

Approximately 9% of Company C's total expenses, or \$28,154, were marketing expenses. Payments ranged from \$63.67 (for food) to \$1,500 (for a grant). Although not required,

Company C disclosed the product name for all 77 payments. Three products were marketed; these prescriptions treat infections and chronic pain.

Company C spent significantly less on marketing expenses than Company A's \$5.2 million. It also spent only 9% of total expenses on marketing, compared to Company A's 64% of total expenses. This difference is less severe when compared to Company B. Company C spent slightly less than Company B's \$38,967 on marketing expenses, but roughly the same proportion of total expenses on marketing (Company B spent 8% of total expenses on marketing).

Recipient Types

Unlike Companies A and B, Company C distributed the majority of its 77 total marketing payments to organizations rather than individual recipients. Hospitals were the recipients of 75 marketing payments (97%) and physicians were the recipients of two payments (3%). Hospital recipients received nearly 100% of the total value of payments (\$28,026). Table 13 shows the distribution of Company C's marketing expenses by recipient type.

Table 13

Company C 2006 Marketing Expenses in DC, by Recipient Type				
Recipient Type	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Hospital	75	97.4%	28,026	99.5%
Physician	2	2.6%	127	0.5%
Total	77	100.0%	28,154	100.0%

Nature of Payments

Company C reported the nature of its 77 payments as either food or check. As with Companies A and B, food was reported for the greatest number of payments (75 payments or 97% of the total number of payments). However, unlike Companies A and B, food also represented the greatest value of payments (\$26,404 or 94% of total payment values). Two check payments were also reported, equaling \$1,750. The recipients of both checks were hospitals; one check was for the purpose of a grant and the other for a speaker fee. Table 14 shows the distribution of Company C's marketing expenses by nature of payment.

Table 14

Company C 2006 Marketing Expenses in DC, by Nature of Payment				
Nature of Payment	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Food	75	97.4%	26,404	93.8%
Check	2	2.6%	1,750	6.2%
Total	77	100.0%	28,154	100.0%

Primary Purpose of Payments

Professional education was reported as the primary purpose of nearly all of Company C's 77 payments (94%). As shown in Table 15, payments with this purpose totaled \$26,174 or 93% of the total value of all payments. Speaker fees were reported for 3 payments (4% of all) but only represented 1% of the total value of payments. One payment was reported with a purpose of a charitable grant for \$1,500, representing 5% of the company's total marketing expenses.

Professional education was also the primary purpose of the greatest number and value of payments for Company B. In contrast, professional education was the purpose of the second greatest number of payments for Company A, but these payments represented the lowest proportion of total payment values (0.1%).

Table 15

Company C 2006 Marketing Expenses in DC by Primary Purpose of Payment				
Primary Purpose	Number of Payments	% of Total	Value of Payments (\$)	% of Total
Professional Education	72	93.5%	26,174	93.0%
Charitable Grant	1	1.3%	1,500	5.3%
Speaker Program/Fees	3	3.9%	377	1.3%
Other	1	1.3%	103	0.4%
Total	77	100.0%	28,154	100.0%

Aggregate Expenses

Company C spent \$292,790 on compensation for employees and contractors engaged in advertising and marketing activities in DC in 2006, representing 91% of total company expenses. This is a higher proportion than other companies with similar sales ranks, which spent around 70-85% of their total expenses on aggregate costs. This is also a higher proportion than Company A (6%) and Company B (82%). However, in dollar terms, both of these companies spent more than Company C on aggregate expenses. Company A spent almost double (\$512,625) and Company B spent roughly 25% more (\$390,994).

VI. RECOMMENDATIONS

Based on our analysis of the 2006 data and our understanding of the Department of Health's interests, we identified the following four steps to allow for more useful analyses of future data submissions.

1. Make submission forms more standardized and user-friendly

Based on some of the user errors and confusion evident in the 2006 submissions, we recommended several changes to improve the user-friendliness of the submission forms and instructions, and then discussed them with DOH staff. We worked with DOH staff to determine which changes could be made this year, given legal requirements and the limited time frame. Several of these changes have already been implemented for 2007:

- Replacing online forms with an Excel spreadsheet that matches Chapter 18 more closely (requiring different information for gift and marketing expenses) and that requires totaling of aggregate, gift, and marketing expenses on the cover sheet.
- Requiring email submission of spreadsheet (checks and signed Company Information forms must still be mailed).
- Developing detailed instructions for using the spreadsheet.
- Adding new items to restricted lists of options for certain spreadsheet fields, to reflect common responses from 2006 submissions (e.g., adding "RN" to the list of "recipient credentials" from which respondents can select).

The instructions and new format should make it easier for companies to complete their submissions promptly and correctly. Having data in a standardized, electronic format will allow for a more sophisticated analysis of 2007 data; most notably, it will be feasible to calculate the total dollar value of gifts by recipient type, nature, and purpose.

2. Develop and implement enforcement procedures

Prompt follow-up with companies that submit incomplete reports or use the wrong format will improve the completeness of the data make it clear what the expectations are for future submissions. If such follow-up fails to produce the necessary response, the Department may wish to consider penalties. Chapter 18 states the following in section 1804, Enforcement and Fines:

1804.1 These rules may be enforced in a civil action brought by the Office of the Attorney General for the District of Columbia.

1804.2 Failure to timely file a complete annual report in accordance with the Act and the provisions of this chapter constitutes a civil violation.

1804.3 Each submission of false information or omission of required information on the annual report shall constitute a separate civil violation.

1804.4 A fine of one thousand dollars (\$1,000), plus costs and attorney's fees, may be adjudged for each civil violation.

1804.5 When a manufacturer or labeler fails to timely file a complete annual report in accordance with the Act and provisions of this chapter, the District's costs for enforcement shall include all costs expended by the Director and/or the Attorney General during the course of the investigation of noncompliance, subsequent enforcement and resolution of the enforcement action, including staff time, equipment use, hearing records, expert assistance, and such other items as the Department determines to be a cost of the action which shall be calculated at the higher of the actual costs or \$1000 per day for each day that the complete and accurate report was due but not filed.

DOH will need to decide what type or extent of noncompliance would trigger a penalty and what (if any) type of opportunities companies might have to correct the problems before being penalized. Decisions about whether and how to penalize noncompliant companies may be influenced by the extent and severity of noncompliance evident in the 2007 submissions.

3. Require unique recipient identifiers and “product marketed” information

Information about the doctors and drugs that companies target with their marketing dollars is likely to be useful for efforts to reduce the District's prescription-drug expenditures. In order to collect that information for submissions in 2008 and beyond, Chapter 18 will need to be changed.

- **Unique recipient identifiers:** Researchers who analyzed Vermont and Minnesota data have cautioned that matching physician names across multiple submissions is a difficult and time-consuming task. For instance, several companies may report payments to “Dr. John Anderson,” but there are several Dr. John Andersons working in the area; spelling variations – e.g., Anderson/Andersen – can further complicate the questions of how many doctors are receiving payments and how much each one has received from all of the reporting companies.

If manufacturers and labelers were to report a unique identifier, such as a Tax ID number, for recipients, that would improve speed and accuracy of matching efforts. Greater certainty about a recipient's identity can also help researchers identify the specialties of doctors receiving payments, which can help demonstrate what types of pharmaceuticals (e.g., diabetes drugs, antidepressants) companies are marketing most heavily.

Companies should already have the Tax ID number for recipients of cash/checks and honoraria. Another possible identifier would be the state license number; one company included that information for gift recipients in its 2006 submission.

- **“Product Marketed” information for gift expenses:** Chapter 18 requires reports of advertising/marketing expenses (TV ads, direct mail, etc.) to specify which product is being marketed during each activity. Reports of gift expenses (e.g., food or honoraria for doctors) are not required to specify which product is being marketed. Requesting “product marketed” information for gift expenses would help researchers determine how much companies are spending to market specific drugs. Since many of the 2006 submissions included this information for gift expenses, it is likely that most companies track this information and would be able to provide it if were required.

4. Evaluate needs and options around aggregate costs

Analysis of the 2006 data found that aggregate costs accounted for a large percentage of total marketing expenses. Although the total aggregate cost figure gives an indication of the amount companies are spending to market pharmaceuticals in the District, it does not capture information about detailer visits that include gifts valued at under \$25 or no gifts at all.

DOH and the Council should consider whether more information about aggregate expenses would be useful. Licensing of pharmaceutical detailers under the Safe Rx Act should provide an indication of the number of detailers working in the District, but more information may still be necessary. If so, legal advice will likely be necessary to determine whether existing regulations can be revised to require such information, or whether legislative action is required.